

**U.S. Department of Labor**

**Employment and Training Administration  
Sam Nunn Atlanta Federal Center  
Room 6M12 - 61 Forsyth Street, S.W.  
Atlanta, Georgia 30303**



May 15, 2001

Mr. William H. Gaunce  
Commissioner, Department for Training and ReEmployment  
Cabinet for Workforce Development  
209 St. Clair Street, 4<sup>th</sup> Floor  
Frankfort, Kentucky 40601

Dear Mr. Gaunce:

This is in response to your letter of February 16, 2001, requesting a waiver of the reallocation requirements at Section 132(c) of the Workforce Investment Act (WIA) as they pertain to the obligation of funds reserved for the State's Rapid Response activities in PY 2000. The letter further details Kentucky's plans to use its Rapid Response funds with a projection to implement additional services by the first quarter of PY 2001. Because the WIA reallocation requirements apply to the State's Dislocated Worker (DW) allotment as a whole, and do not separately require that 80% of the funds reserved for Rapid Response activities be obligated by the end of the Program Year, we do not believe the requested waiver is necessary.

WIA Sections 127(c) and 132(c) provide for the reallocation of youth, adult and dislocated worker allotments for youth activities, employment and training, and Statewide workforce investment activities. The procedures for reallocation are described in the WIA regulations under Section 667.150. These procedures specify that the amount available to be recaptured from a State, if any, is based on whether the State obligations of funds allotted for each of the three programs, adjusted for any allowable transfers and less any amounts reserved for the costs of administration, meet the 80% obligation requirement. Amounts available for recapture are separately determined for each funding stream. Kentucky was advised by this office that, as described above, Rapid Response funds are by themselves not subject to reallocation if the State meets its requirement to obligate 80% of the overall DW allotment. It was recommended that Kentucky review its obligation methodology to determine whether or not the State may have trouble meeting its requirement to obligate 80% of the overall dislocated worker allotment.

In an e-mail transmission dated April 27, the State provided its calculation for the 80% obligation rate for its PY 2000 dislocated worker funding stream (copy enclosed). For PY 2000, Kentucky was allotted \$11,423,295 for dislocated worker activities. The State's calculations indicate that the current State-level obligation rate for PY 2000 funds will be above the 80%



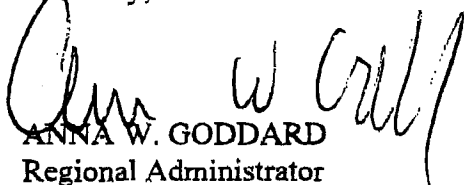
obligation requirement and, therefore, not subject to the Section 132(c) reallocation provisions, provided that the obligations remain firm.

We would like to clarify one calculation in Kentucky's chart which needs to be corrected, but which does not affect the assessment that the State's current obligation rate will meet the 80% requirement. In your April 27 submission, you indicate that the 10% amount for local administration (\$685,398) has been calculated as an obligation twice--both at the State level and in the 60% allocation amount to local areas. This calculation double counts the same funds and results in an incorrect obligation rate. This may have resulted from an inadvertent misreading of the WIA regulations. The resolution is for the State to adjust its figures to delete the reference to local-level administration from the State-level obligations, since those funds are already included as an obligation in the 60% allocation to the local areas. Although this action will reduce the figure for the amount obligated above the 80% requirement in the State's calculations from \$1,461,155 to \$775,757, the State will still meet the required 80% based on its current obligation rate.

With the exception noted above, Kentucky's methodology appears acceptable. It is not necessary for you to submit a letter to formally withdraw the waiver request. We are not taking any further action on this request unless we hear otherwise from your agency.

We hope this provides some clarification for you in this matter. We are prepared to entertain other State- and local-level waiver requests that Kentucky may wish to submit, consistent with the provisions of the Act and regulations. To ensure proper handling and prompt consideration of State requests, please transmit future waiver requests through this office.

Sincerely,

  
ANNA W. GODDARD  
Regional Administrator

Enclosure